

# Indiana

Department of Local Government Finance



*Committed to a fair and equitable property tax system for Hoosier taxpayers.*

## **Crowe Controllers' Affiliate Group Meeting**

**Tim Rushenberg, Commissioner**

**February 18, 2009**



# Who is the DLGF and what do they do?

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- Commissioner Timothy J. Rushenberg
  - Oversees the operations of the Department and serves as a member of the Property Tax Replacement Fund Board and the Distressed Unit Appeals Board.
- Assessment Division
  - Promotes consistent assessing procedures across the state by providing guidance and technical instruction and securing compliance with the law to ensure fair and equitable assessment of property for taxpayers
- Budget Division
  - Works closely with local officials in preparing their annual budgets and provides recommendations to the Commissioner on matters related to budgets, rates, levies, exceptions to property tax controls and taxpayer exceptions to tax rate increases



# Who is the DLGF and what do they do?

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- Communications Division
  - Supports communications and public relations activities that serve to promote understanding of property tax assessment and local government budgeting by local officials and taxpayers.
- Legal Division
  - Drafts and publishes property tax assessment rules and interprets statutory law to ensure property tax assessments and local government budgeting are carried out in accordance with Indiana law and DLGF rules and regulations
- Operations Division
  - Researches and analyzes all areas of property taxation to ensure the fair and equitable distribution of the property tax burden



# Who is the DLGF and what do they do?

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- Ensures property tax assessment and local government budgeting follow Indiana law.
- Publishes property tax assessment rules
- Annually reviews and approves tax rates and levies of every political subdivision including all counties, cities, towns, townships, school corporations, libraries and other entities with tax levy authority
- TOP PRIORITY: ON TIME PROPERTY TAX BILLING – a joint effort with local county officials



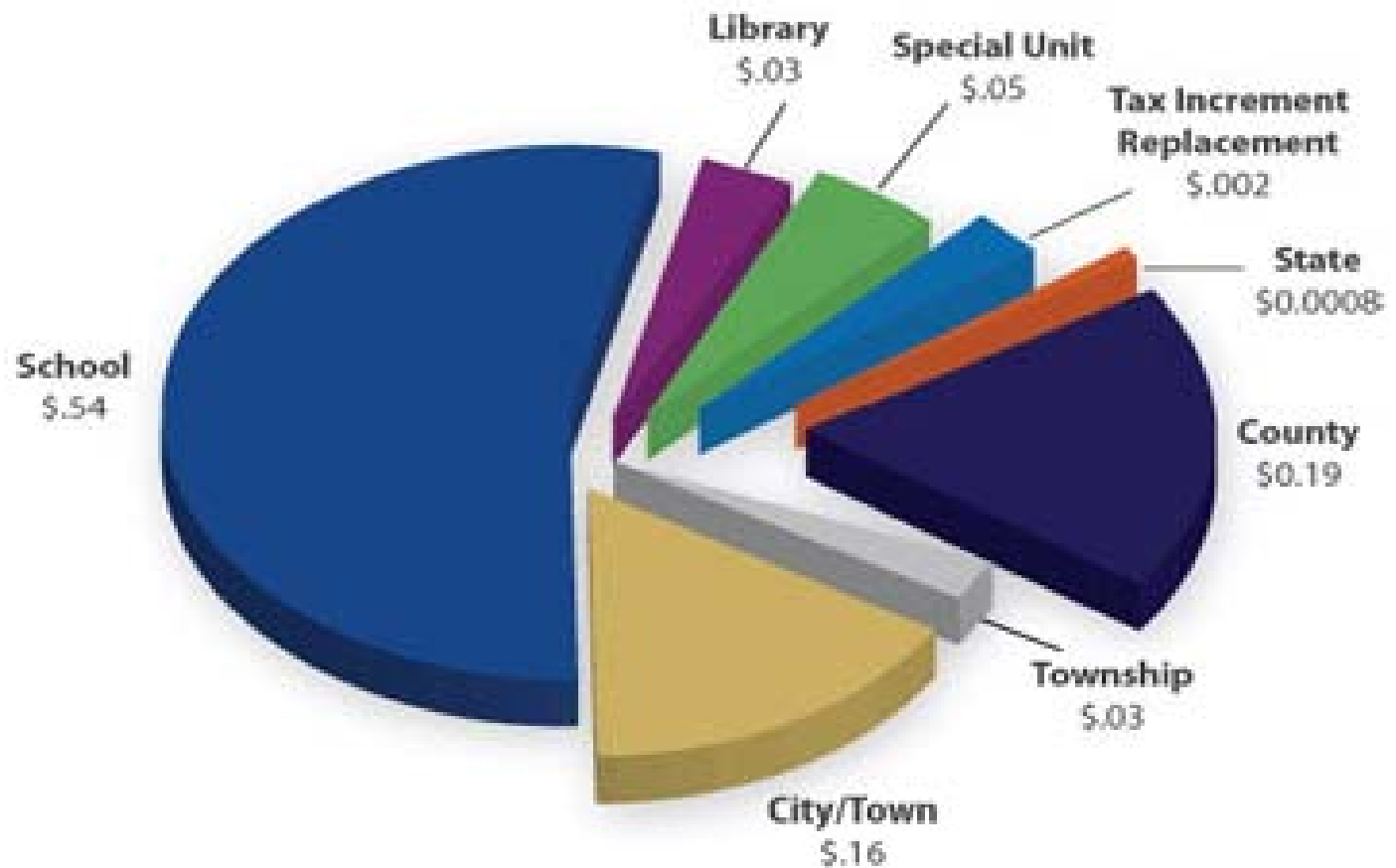
# Who is the DLGF and what do they do?

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- Core Values
  - Put taxpayers first.
  - Respect local control.
  - Expect excellence in all that we do.
- Core Competencies
  - Seven (7) given to staff and local officials
  - Tied to Core Values



# Where do my Tax Dollars Go

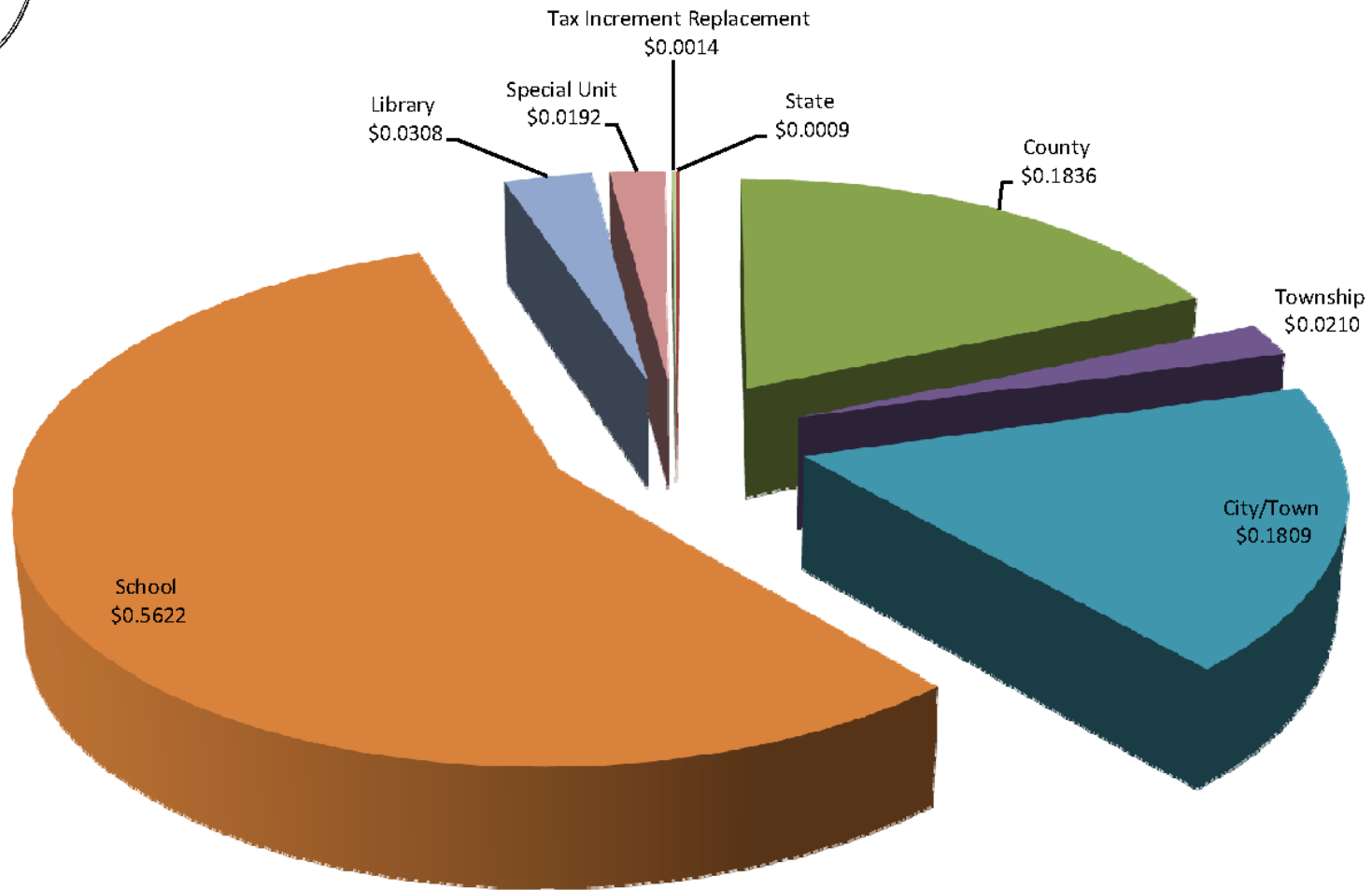


STATEWIDE AVERAGE REVENUE DISTRIBUTION OF EACH PROPERTY TAX DOLLAR

Source: 2006 Data - Indiana Department of Local Government Finance Local Government Database.



# Where do my property tax dollars go?



Average expenditure per dollar of property tax levied in Indiana, taxes payable in 2008.

Source: County abstract data as received by DLGF as of January 7, 2009. Excludes the following counties: Brown, LaPorte, Marion, Porter, and St. Joseph.



# How is property tax applied in Indiana?

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- Real and Personal property taxable
- Three funds used by local governments
  - Levy controlled
    - Total, in aggregate, cannot exceed maximum permissible levy
  - Rate (“need”) controlled
    - Typically have capped tax rates
  - Debt service
    - Set in the amount needed to pay annual principal and interest on debt issued by unit





# How is property tax applied in Indiana?

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- Taxpayers' tax liability determined by:
  - $\text{Net Assessed Value} \times \text{Rate} = \text{Levy}$
  - $\text{Levy} / \text{Net Assessed Value} = \text{Rate}$
- Levy controls play a role in determining whether taxpayers' liability grows from year to year.
- Growth, or reduction, in assessed value also impacts property tax liability.
- Tax bill dependent upon both the levy of each taxing unit and the change in the assessed value from year to year.



# 2009 Tax Bill (TS-1)

STATE FORM 51569 (1-09)  
APPROVED BY STATE BOARD OF ACCOUNTS, 2009

TREASURER FORM TS-1A  
PRESCRIBED BY THE DEPARTMENT OF LOCAL GOVERNMENT FINANCE IC 6-1-1-22-1

## SPECIAL MESSAGE TO PROPERTY OWNER

Your property taxes are capped at 1.5% of property value for homes, 2.5% for other residential property and farmground, and 3.5% for all other property. In 2010, these caps will be fully phased in at 1%, 2%, and 3%. State relief is given in the form of a credit (line 4a) for 2007-2008, and a reduced tax rate (line 3a and table 3) and supplemental deduction (line 2b) in 2009.

### HOW YOUR PROPERTY TAX BILL IS CALCULATED

Taxpayer Name	Property Address	Date of Notice	Parcel Number	Taxing District
Joe and Jane Taxpayer	300 South 100 West Toto, IN 46366	April 1, 2009	00-00-00-000-000-000	001 Wayne Township

Space reserved for county data purposes

TABLE 1: SUMMARY OF YOUR TAXES

TAX SUMMARY ITEM	2007	2008	2009
<b>1. Gross assessed value of property</b>			
1a. Gross assessed value of land	\$45,130	\$45,130	\$45,130
1b. Gross assessed value of improvements	\$100,000	\$101,480	\$101,480
<b>2. Equals total gross assessed value of property</b>	<b>\$145,130</b>	<b>\$146,610</b>	<b>\$146,610</b>
2a. Minus deductions (see table 5 below)	(\$48,000)	(\$48,000)	(\$48,000)
2b. Minus new State supplemental deduction (see table 5 below)	\$0	\$0	(\$35,564)
<b>3. Equals subtotal of net assessed value of property</b>	<b>\$97,130</b>	<b>\$98,610</b>	<b>\$63,047</b>
3a. Multiplied by your local tax rate	2.3981	2.2625	1.6811
<b>4. Equals gross tax liability (see table 3 below)</b>	<b>\$2,329.27</b>	<b>\$2,231.05</b>	<b>\$1,059.87</b>
4a. Minus State property tax relief	(\$680.18)	(\$1,207.39)	(\$77.20)
4b. Minus Local tax relief	(\$33.10)	(\$31.85)	(\$35.39)
4c. Minus savings due to property tax cap (information on cap found in Table 2 below)	(\$0.00)	(\$0.00)	(\$0.00)
4d. Minus savings due to 65 years & older cap	(\$0.00)	(\$0.00)	(\$0.00)
<b>5. Total property tax liability</b>	<b>\$1,615.99</b>	<b>\$991.81</b>	<b>\$947.28</b>

Please see Table 4 for a summary of other charges to this property.

TABLE 2: PROPERTY TAX CAP INFORMATION

Property tax cap (equal to 1.5%, 2.5%, or 3.5% of Line 2, depending upon type of property)	\$0.00	\$0.00	\$2,199.00
Adjustment to cap due to voter-approved projects and charges <sup>1</sup>	\$0.00	\$0.00	\$100.00
<b>Maximum tax that may be imposed under cap</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$2,299.00</b>

TABLE 3: GROSS PROPERTY TAX DISTRIBUTION AMOUNTS APPLICABLE TO THIS PROPERTY

TAXING AUTHORITY	TAX 2007	TAX 2008	TAX 2009	TAX DIFFERENCE 2007-2008	PERCENT DIFFERENCE	TAX DIFFERENCE 2008-2009	PERCENT DIFFERENCE
STATE	\$2.33	\$2.37	\$0.00	\$0.04	1.7%	(\$2.37)	-100.0%
COUNTY	\$568.99	\$623.41	\$349.28	\$54.42	9.6%	(\$274.13)	-44.0%
TOWNSHIP	\$71.97	\$67.94	\$48.80	(\$4.03)	-5.6%	(\$19.14)	-28.2%
SCHOOL DISTRICT	\$1,530.97	\$1,416.54	\$575.05	(\$114.43)	-7.5%	(\$841.49)	-59.4%
CITY	\$0.00	\$0.00	\$0.00	\$0.00	---	\$0.00	---
LIBRARY	\$152.69	\$117.15	\$84.10	(\$35.54)	-23.3%	(\$33.05)	-28.2%
TAX INCREMENT	\$0.00	\$0.00	\$0.00	\$0.00	---	\$0.00	---
SPECIAL DISTRICT	\$2.32	\$3.64	\$2.65	\$1.32	56.9%	(\$0.99)	-27.3%
OTHER1							
OTHER2							
OTHER3							
<b>TOTAL</b>	<b>\$2,329.27</b>	<b>\$2,231.05</b>	<b>\$1,059.87</b>	<b>(\$98.22)</b>	<b>-4.2%</b>	<b>(\$1,171.18)</b>	<b>-52.5%</b>

The tax rate for each unit is equal to the gross property tax for that unit divided by the net assessed value for a given year.

TABLE 4: OTHER CHARGES TO THIS PROPERTY

LEVYING AUTHORITY	2007	2008	2009	TYPE OF DEDUCTION	2007	2008	2009
Ditch Assessment Bill	\$30.04	\$37.27	\$38.96	Homestead/Standard	\$45,000	\$45,000	\$45,000
				Mortgage	\$3,000	\$3,000	\$3,000

Supplemental \$0 \$0 \$35,564

TOTAL ADJUSTMENTS \$30.04 \$37.27 \$38.96 TOTAL DEDUCTIONS \$48,000 \$48,000 \$83,564

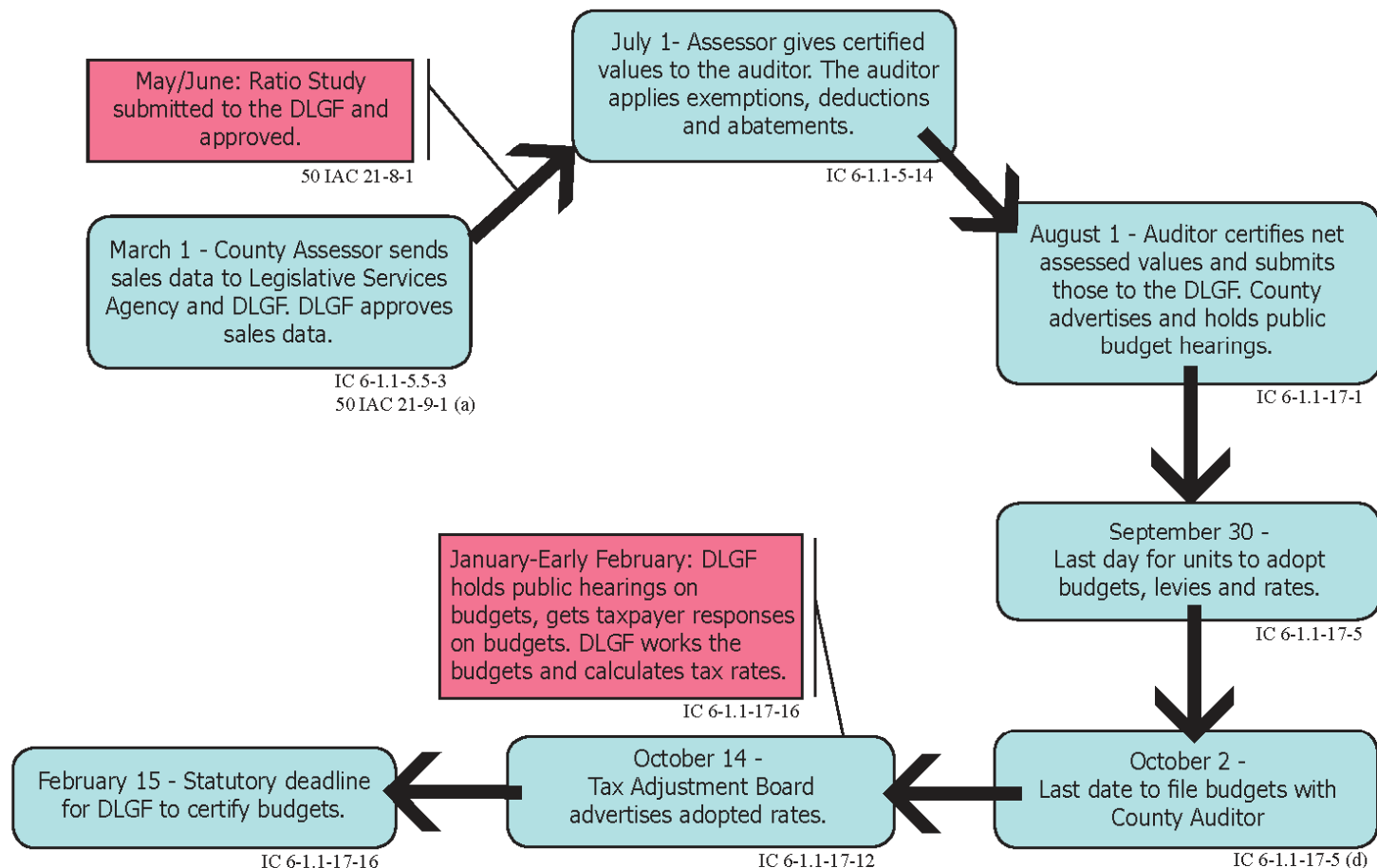
<sup>1</sup> Charges not subject to the property tax cap include voter-approved referendums in Lake County and St. Joseph County. This line also reflects debt obligations assumed prior to the creation of property tax caps. When added to the base property tax cap amount for your property, this creates the effective tax cap rate. For more information, see the back of this document.

<sup>2</sup> If any circumstances have changed that would make you eligible for a deduction that you have been allowed in the deductions block on this tax bill, you must notify the county auditor. If such a change in circumstances has occurred and you have not notified the county auditor, the deduction will be disallowed and you will be liable for taxes and penalties on the amount deducted.



# How should the process work?

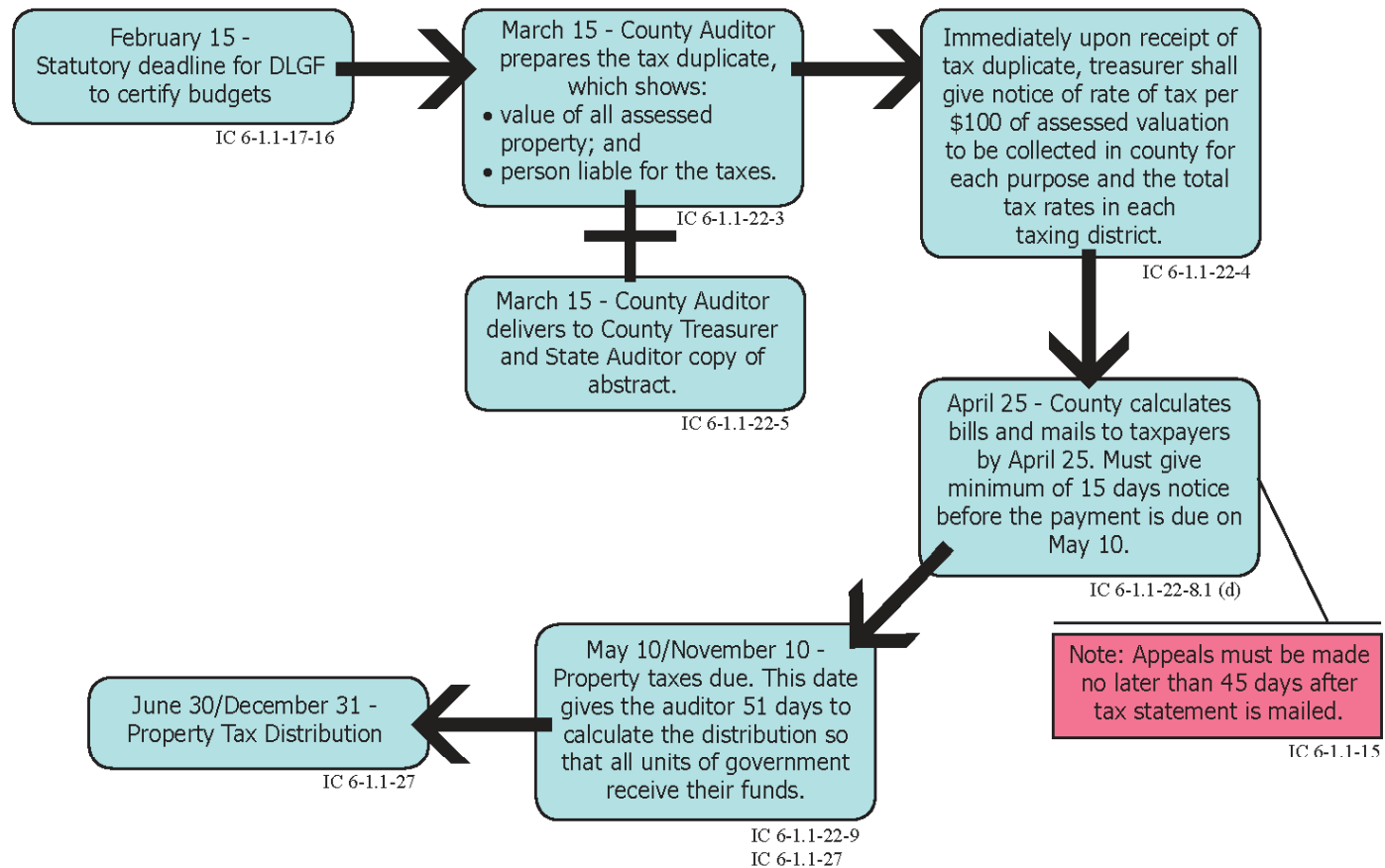
## Assessment to Budget Process





# How should the process work?

## Budget to Tax Billing Process

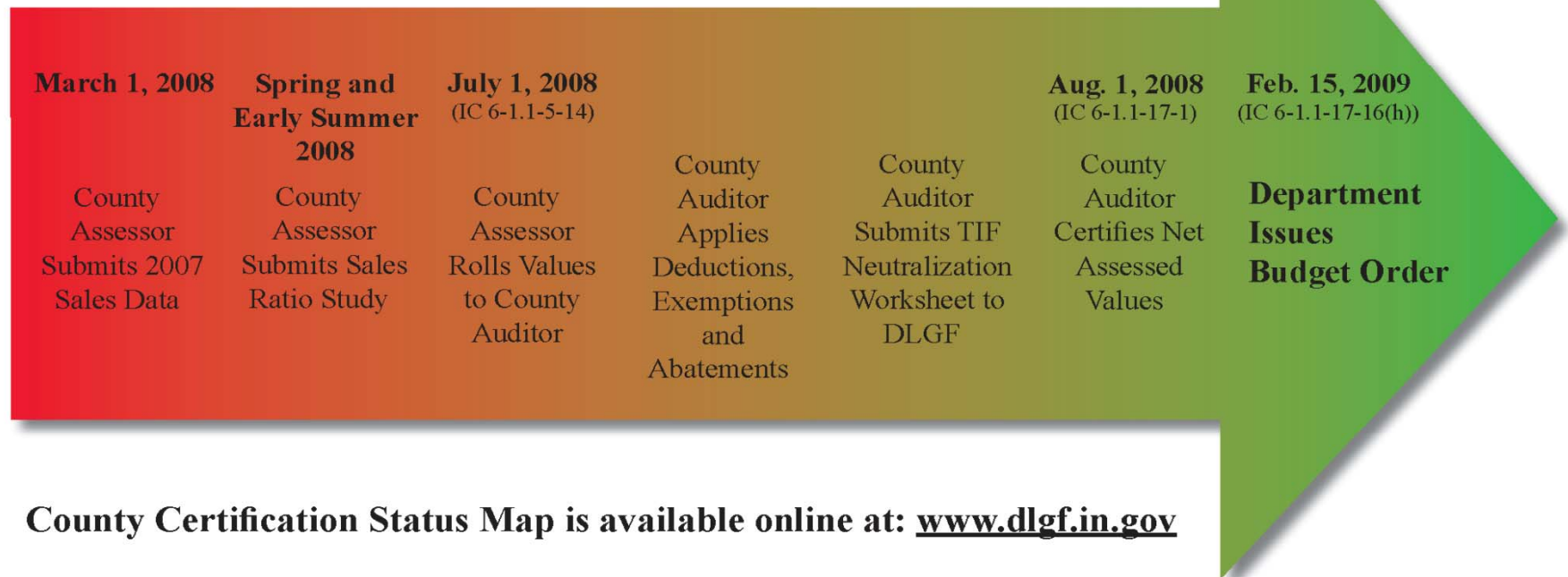




# How should the process work?

## Budget Overview

FOR TAXES 2008 PAYABLE IN 2009

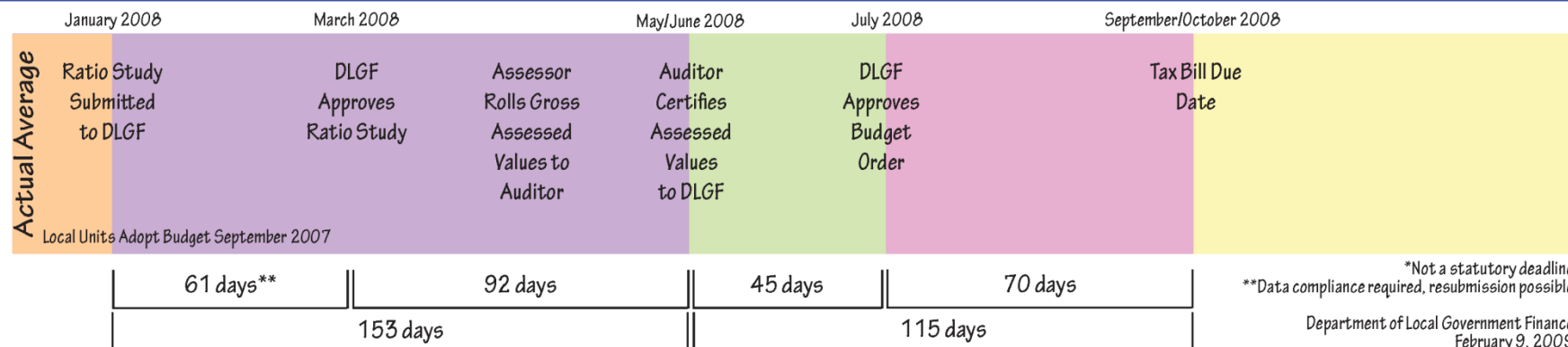
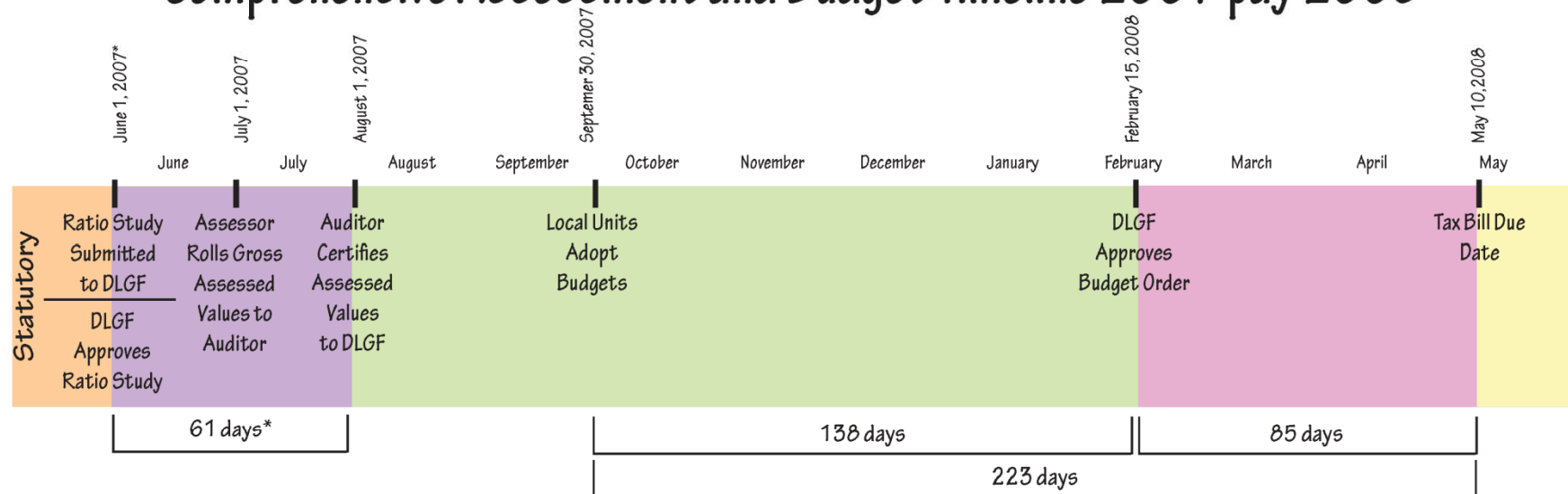


County Certification Status Map is available online at: [www.dlhf.in.gov](http://www.dlhf.in.gov)



# How does the process work?

## Comprehensive Assessment and Budget Timeline 2007 pay 2008



\*Not a statutory deadline  
 \*\*Data compliance required, resubmission possible  
 Department of Local Government Finance  
 February 9, 2009

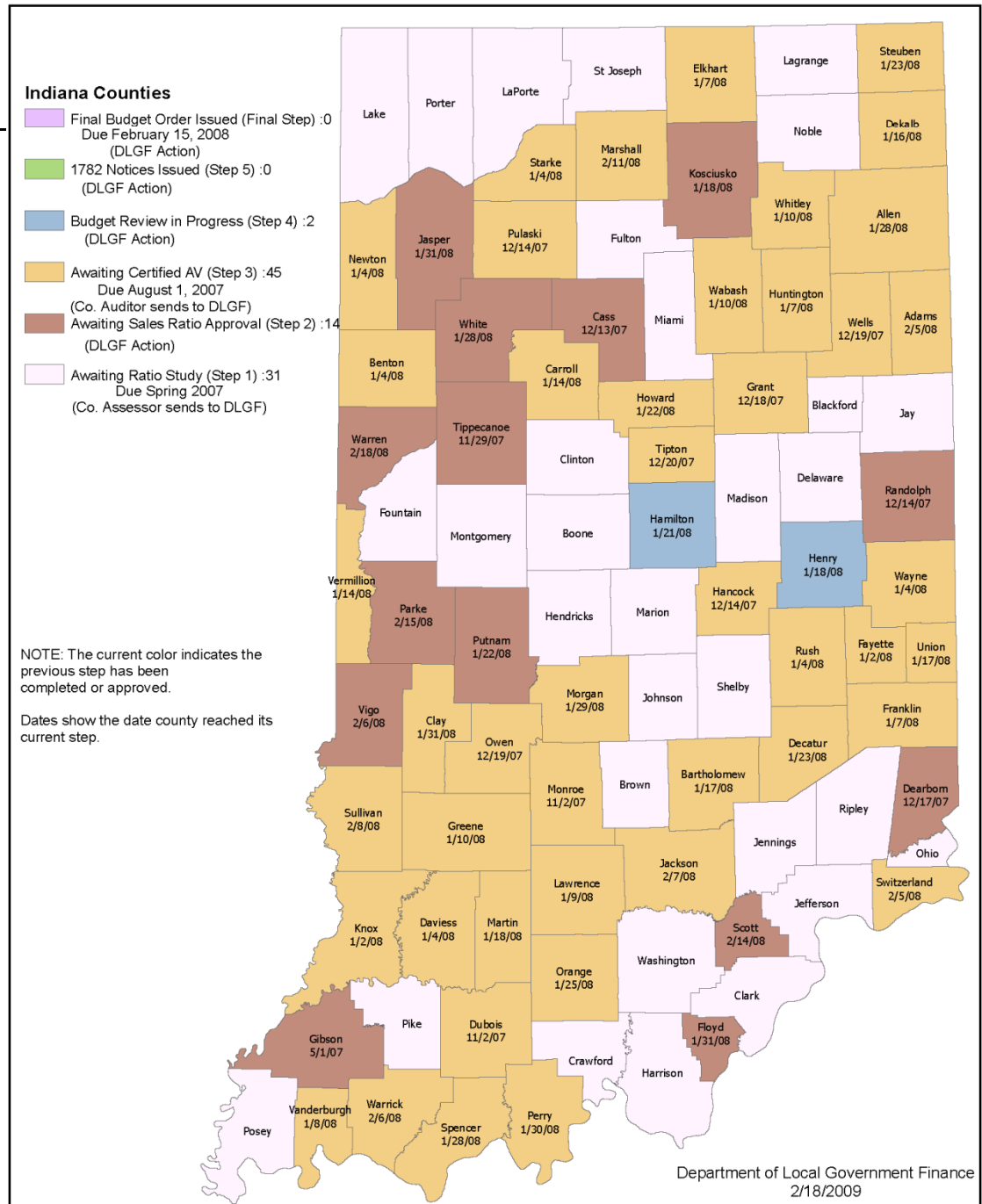


# 2008 Budget Certification Status – as of Feb. 18, 2008

## Status Maps:

<http://www.in.gov/dlgf/6827.htm>

2007 pay 2008 Budget Certification Status Map  
As of February 18, 2008







# 2009 Budget Certification Status – as of Feb. 17, 2009

Status Maps:

<http://www.in.gov/dlgf/6827.htm>

## 2008 pay 2009 Budget Certification Status Map

### Indiana Counties

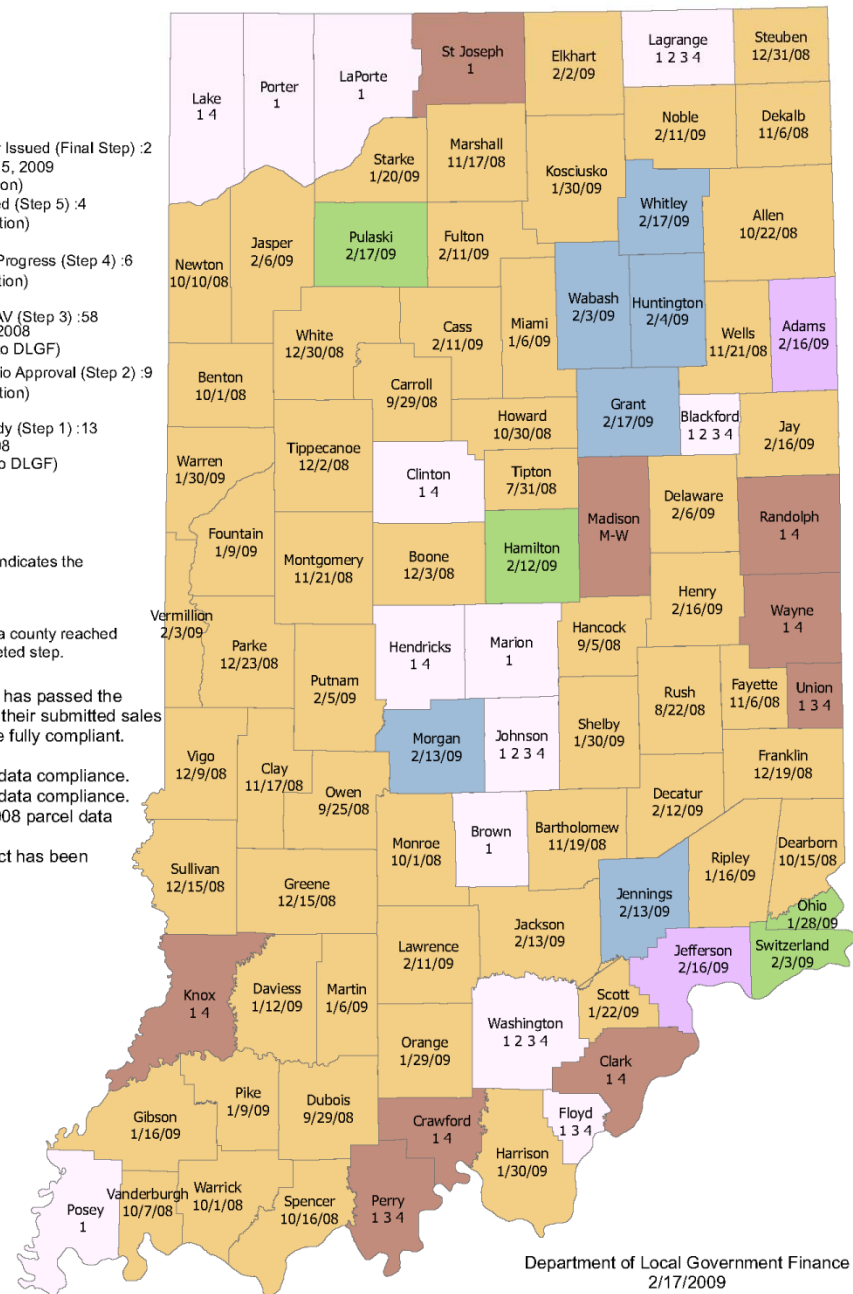
- Final Budget Order Issued (Final Step) :2  
Due February 15, 2009  
(DLGF Action)
- 1782 Notices Issued (Step 5) :4  
(DLGF Action)
- Budget Review in Progress (Step 4) :6  
(DLGF Action)
- Awaiting Certified AV (Step 3) :58  
Due August 1, 2008  
(Co. Auditor sends to DLGF)
- Awaiting Sales Ratio Approval (Step 2) :9  
(DLGF Action)
- Awaiting Ratio Study (Step 1) :13  
Due Spring 2008  
(Co. Assessor sends to DLGF)

NOTE: The current color indicates the previous step has been completed or approved.

A date indicates the date a county reached their most recently completed step.

M-W indicates a county has passed the Mann-Whitney test and their submitted sales and parcel data sets are fully compliant.

- 1 indicates 2006 Sales data compliance.
- 2 indicates 2007 Sales data compliance.
- 3 indicates 2007 pay 2008 parcel data compliance.
- 4 indicates 2008 abstract has been completed.



Department of Local Government Finance  
2/17/2009





## 2008 pay 2009 Homestead Deductions and Cap Calculations

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	<u><i>Pay 2008</i></u>	<u><i>New Law (for pay-2009)</i></u>
Gross AV	\$100,000	\$100,000
Standard Deduction	(\$45,000)	(\$45,000) *
Supplemental Deduction	N/A	(\$19,250) ** [35% of \$55,000]
Net Taxable AV	\$55,000	\$35,750
Tax Rate per \$100 of AV	\$2.50	\$2.50
Gross Tentative Tax	\$1,375	\$894
Circuit Breaker Cap	\$0 ***	\$1,500
Net Tax After Circuit Breaker	\$1,375	\$894
Circuit Breaker Savings	\$0	\$0



## 2008 pay 2009 Homestead Deductions and Cap Calculations

	<u><i>Pay 2008</i></u>	<u><i>New Law (pay-2009)</i></u>
Gross AV	\$1,500,000	\$1,500,000
Standard Deduction	(\$45,000)	(\$45,000) *
Supplemental Deduction 35% of AV net of standard deduction up to \$600,000	N/A	(\$210,000) ** [35% of \$600,000]
Supplemental Deduction 25% of AV net of standard deduction over \$600,000	N/A	(\$213,750) [25% of \$855,000]
Net Taxable AV	\$1,455,000	\$1,031,250
Tax Rate per \$100 of AV	\$2.50	\$2.50
Gross Tentative Tax	\$36,375	\$25,781
Circuit Breaker Cap	\$0 ***	\$22,500
Net Tax After Circuit Breaker	\$36,375	\$22,500
Circuit Breaker Savings	\$0	\$3,281



# How does trending work?

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- **Trending** (*i.e. price adjustment*)

A way of assessing the value of real estate. Assessors research sales of properties in a particular area over the previous two years. Using that information, assessors estimate the values of other properties in the same area to determine an assessed value.

- In the past, assessed values were adjusted only after a reassessment, which came as far apart as 10 years. Trending now occurs every year.



# How does trending work?

## History of Property Valuation Changes

Tax Year	Property Sales														
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
2009 Pay 2010 (4)													2009 Pay 2010		
2008 Pay 2009												2008 Pay 2009			
2007 Pay 2008											2007 Pay 2008				
2006 Pay 2007 (3)										2006 Pay 2007 (3)					
2005 Pay 2006						No Sales from these years used; No change to 2001 Pay 2002 Values									
2004 Pay 2005															
2003 Pay 2004															
2002 Pay 2003 (2)				2002 Pay 2003 (2)											
2001 Pay 2002		Market Value did not apply; no change in values until 2002													
2000 Pay 2001															
1999 Pay 2000															
1998 Pay 1999															
1997 Pay 1998															
1996 Pay 1997															
1995 Pay 1996 (1)	1995 Pay 1996 (1)														

### NOTES:

(1) Reassessment

(2) First use of Market Value

(3) First Annual Trending

(4) DLGF to allow the use of one year of sales only



# How does trending work?

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- Each year, the assessed value is multiplied by a neighborhood factor.
- Values can go up. . .

2008 assessed value:	\$100,000
Neighborhood factor:	<u>x      1.1</u>
2009 assessed value:	<b>\$110,000</b>



# How does trending work?

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- Each year, the assessed value is multiplied by a neighborhood factor.
- Values can go up. . .  
...or down.

2008 assessed value:	\$100,000
Neighborhood factor:	<u>x 0.9</u>
2009 assessed value:	<b>\$90,000</b>



# 2009 General Assembly

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- HB 1094 (Grubb) - Valuation date for assessments
  - Changes the valuation date and the assessment date to the same day – March 1
- HB 1447 (Welch) - HEA 1001-2008 “substantive technical corrections”
  - Clarifies language related to standard deduction
  - Clarifies language related to standard deduction, circuit breaker credit, and the senior citizen tax limit
  - Amendment may be offered to convert all tax rate-capped funds to levy-controlled funds.



# 2009 General Assembly

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- HB 1471(Pelath) – Assessment Rules
  - Limits the ability of the DLGF to draft administrative rules related to assessing
- HB 1670 (Michael) – Plan to restore property tax cycle
  - Requires the DLGF to work with associations and counties
- HB 1689 (Reardon) – Provisional Tax Bills
  - Mandates counties to issue provisional tax bills when certain deadlines are not met.





# 2009 General Assembly

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- SB 561 (Hershman) – Property tax matters
  - Delays statewide general reassessment to July 1, 2010
  - Requires “rolling” reassessments – 20% of property per year with other 80% of property to be annual trended
  - Requires DLGF to calculate a “trending factor” if county is more than 12 months behind in submitted certified net assessed values
  - Changes budget adoption deadline from Sept. 30 to Nov. 1
  - Eliminates the school and local government property tax control boards
  - Makes corrections to membership of county property tax assessment board of appeals (PTABOA)



# Contact the Department

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- **Web site: [www.in.gov/dlgf](http://www.in.gov/dlgf)**
  - **“Contact Us”: [www.in.gov/dlgf/2338.htm](http://www.in.gov/dlgf/2338.htm)**